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July 11, 1997

William F. Caton
Acting Secretary
Federal Communication Commission
1919 M. Street, N.W.
Room 222
Washington, DC 20554

Re: Reply Comments, PCS C&F Block Financial Structuring WT Docket 97-82, DA 97-679

Dear Mr. Caton:

On July 8, 1997, ClearComm, L.P., submitted a letter containing its Reply Comments (the "Reply Comments") in the above referenced proceeding. The Reply Comments had been signed by me on behalf of ClearComm, L.P. and a facsimile copy (including a copy of my signature) was filed at the Commission. Attached hereto is the original signature version of the Reply Comments.

Respectfully yours,

John Duffy

John Duffy
Senior Vice President
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July 8, 1997

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Broadband PCS C&F Block Financial Restructuring
WT Docket 97-82, DA 97-679
Reply Comments

Dear Mr. Caton:

ClearComm, L.P. (formerly PCS 2000, L.P.) has reviewed the filings of other parties in the above referenced matter and attended the public forum conducted by FCC staff on June 30, 1997. We commend the Commission on its effort to address the very difficult financing issues confronting the C Block PCS licensees. We think it is safe to say that there will be legal challenges no matter what course the FCC pursues. It is also very clear, however, that the Commission must act quickly and decisively.

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ClearComm does not believe that the Commission needs to be overly concerned by the objections of major carriers and A and B Block licensees. Those carriers already have huge advantages over designated entities in the marketplace. The entrenched carriers merely wish to delay further and, if the Commission permits, entirely preclude real competition by independent C Block operators. ClearComm recognizes, however, that the Agency may need to take into account the competitive and equitable positions of F Block licensees, who are also designated entities. Accordingly, we recommend that the Commission consider extending some elements of structural and financial relief to C and F Block licensees on a comparable basis.

It appears to ClearComm that the Commission has three options:

1. Do nothing and leave current interest obligations indefinitely suspended, as they are now;
2. Reinstitute current interest payments and reauction licenses as defaults occur; or
3. Restructure the license debt and modify the C (and F) Block rules on the basis of the proposals advanced by the C Block licensees.

The parties' pleadings and comments at the public forum leave no doubt that either of the first two options ultimately would lead to disastrous results for most C Block licensees. The first option would guarantee that the majority of C Block bidders will be unable to access financing from either vendors or private financiers or Wall Street, because of continuing uncertainty and because of the financial markets' perception of a "premium" having been bid for C Block licenses as contrasted to their current market values. Moreover, if the Commission were to reinstitute interest payments under current market conditions, many licensees could be expected to default beginning in the second quarter of 1998. The Commission thus would find itself trying to revoke licenses (subject to challenge) and reauction spectrum when potential bidders would confront entrenched wireless providers possessing virtually an insurmountable head start.

In this connection, ClearComm would remind the Commission that we made our 10% down payment with funds raised from individual private investors and that we have the cash to meet our current FCC financial obligations as well as our operating capital requirements for the near term. Moreover, ClearComm's bids were below the average C Block "per pop" high bid. In spite of this conservative approach, we find ourselves in the same predicament as other C Block companies. ClearComm cannot help but be adversely affected if there are massive defaults because of the Commission's refusal to restructure the license debt in the face of unenthusiastic financial markets.

ClearComm urges the Commission to take action to reconfirm the overriding competitive considerations underlying its approach to the PCS auctions. As Mark Lowenstein of the Yankee Group pointed out during the public forum, there is already evidence that greater PCS deployment will significantly increase usage of wireless services and reduce unit costs to consumers. Without the independent C Block operators, as Mr. Lowenstein also pointed out, we can expect PCS to evolve into another duopoly service at best.

If the C Block fails, the FCC will have established a wireless market with fewer competitors, higher prices for consumers and lower acceptance by the American public. We encourage the Commission to permit restructuring of debt in a manner that allows C Block companies to access the financing they require. A restructuring package that includes extension of the installment payment period, deferral of interest payments in the early years, and provision of an incentive for "cashing out" the FCC license debt appears to be the most appropriate solution. If considerations of equity so require, this restructuring package could be made available as well to F Block licensees (on a percentage basis or other approach that establishes comparability).

The Commission should also permit an increase in foreign ownership and a reduction in control group minimum equity; lift the restriction on transferability for defaulting licensees; and make clear that there will be no cross default or cross collateralization among licenses. ClearComm urges the Commission to make clear that licensees may place their licenses in separate entities so that potential financiers may invest in the specific markets that meet their investment criteria. Within the required buildout period, this will allow licensees to schedule financing and deployment of their systems in the light of existing realities in particular markets.

ClearComm realizes that no matter what the Commission does, there will be failures in the C Block. Ultimately, marketforces -- and the decisions of management – should determine which companies will succeed and which will fail. The prices paid for C Block licenses – and revenues to the Government – must not be permitted to become the controlling factors.

We ask the Commission to act quickly. For the most part, the financial markets will make their decisions on the basis of management expertise and business vision only after they know whether and to what extent the Commission is willing to permit restructuring of the license debt.

Respectfully,

ClearComm, L.P.
Senior Vice President

cc: Chairman Reed E. Hundt
Mr. Daniel B. Phythyon
Ms. Kathleen O'Brien Ham
William E. Kennard, Esq.
Mr. Sande Taxali
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